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OMB Number: 3235-0123

Expires: October 31, 2004

Estimated average burden

hours per response..... 12.00

ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

SEC FILE NUMBER

8-32672

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 1/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Southwestern Capital Markets Inc

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Book Building on the Riverwalk, 140 E. Houston, Ste. 201
(No. and Street)San Antonio
(City)Texas
(State)78205
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Robert G. Rodriguez

(210) 344-9101

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Martinez, Rosario & Company, LLP

(Name - if individual, state last, first, middle name)

115 E. Travis, Ste. 1400
(Address)

(City)

San Antonio, Texas
(State)78205
(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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THOMSON
FINANCIAL

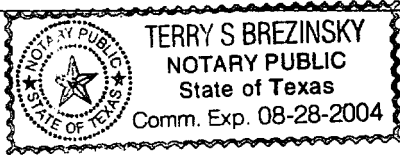
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Robert G. Rodriguez, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Southwestern Capital Markets, Inc., as of December 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Robert G. Rodriguez
Signature

President

Title

Terry S. Brezinsky
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Operations
- ☒ (d) Statement of Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Control Structure Required by

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Sec Rule 17a-5

SOUTHWESTERN CAPITAL MARKETS, INC.

FINANCIAL STATEMENTS

December 31, 2003

With Independent Auditors' Report Thereon

SOUTHWESTERN CAPITAL MARKETS, INC.

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FINANCIAL STATEMENTS

Martinez, Rosario & Company, LLP
115 E. Travis, Suite 1400
San Antonio, Texas 78205
Telephone: (210) 277-1898 Fax: (210) 277-1848

INDEPENDENT AUDITORS' REPORT

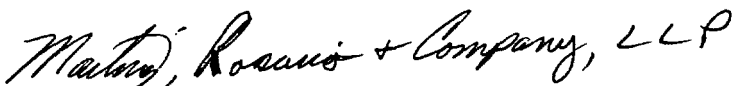
To the Board of Directors of
Southwestern Capital Markets, Inc.

We have audited the accompanying statement of financial condition of Southwestern Capital Markets, Inc. as of December 31, 2003, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Capital Markets, Inc. as of December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, Texas

February 24, 2004

SOUTHWESTERN CAPITAL MARKETS, INC.
STATEMENT OF FINANCIAL CONDITION
December 31, 2003

ASSETS

Cash	\$	8,946
Cash on Deposit with Clearing Broker		150,075
Accounts Receivable		53,375
Furniture and Equipment at Cost		
Less Accumulated Depreciation of \$13,748		23,288
Federal Income Taxes Receivable		62,097
Other Assets		103,892
TOTAL ASSETS	\$	401,673

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accrued Expenses	\$	10,224
Capital Lease Payable		7,656
Total Liabilities		17,880

STOCKHOLDERS' EQUITY

Convertible Preferred Stock, No Par		
Value 1,000,000 Shares Authorized,		
16,000 Shares Issued and Outstanding		128,000
Common Stock, No Par Value, 1,000,000 Shares		
Authorized, 190,100 Shares Issued and 187,100 Outstanding		377,231
Retained Earnings (Deficits)		(121,438)
Total Stockholders' Equity		383,793
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	401,673

The accompanying notes are an integral part of these financial statements.

SOUTHWESTERN CAPITAL MARKETS, INC.
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2003

Revenues

Investment Banking	\$	693,254
Other		<u>4,887</u>

Total Revenues 698,141

Expenses

Bond Sales Fees	45,437
Employee Compensation and Benefits	469,778
Consulting	100,194
Professional Fees	49,571
Rent	59,012
Depreciation	9,417
Other Operating Expenses	<u>243,954</u>

Total Expenses 977,363

Loss Before Federal Income Tax Benefit (279,222)

Federal Income Tax Benefit 62,097

NET LOSS \$ (217,125)

The accompanying notes are an integral part of these financial statements.

SOUTHWESTERN CAPITAL MARKETS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Year Ended December 31, 2003

	<u>Capital Stock</u>		<u>Retained</u>	<u>Total</u>
	<u>Preferred</u>	<u>Common</u>	<u>Earnings</u> <u>(Deficits)</u>	<u>Stockholders'</u> <u>Equity</u>
Balances at December 31, 2002	\$ 128,000	\$ 209,231	\$ 95,687	\$ 432,918
Issuance of Common Stock	-	168,000	-	168,000
Net Loss for 2003	-	-	(217,125)	(217,125)
Balances at December 31, 2003	<u>\$ 128,000</u>	<u>\$ 377,231</u>	<u>\$ (121,438)</u>	<u>\$ 383,793</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWESTERN CAPITAL MARKETS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Loss	\$ (217,125)
Adjustments to Reconcile Net Loss to Net Cash Used	
By Operating Activities:	
Depreciation Expense	9,417
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(24,254)
Interest Receivable	1,787
Federal Income Taxes Receivable	(40,061)
Other Assets	(71,223)
Increase (Decrease) in Operating Liabilities:	
Accounts Payables	(12,354)
Total Adjustments	<u>(136,688)</u>
NET CASH USED BY OPERATING ACTIVITIES	(353,813)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets	(6,716)
Proceeds From Repayment of Note Receivable - Related Party	<u>46,717</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	40,001

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Common Stock Sales	168,000
Payment on Capital Lease Obligation	<u>(1,409)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	166,591

DECREASE IN CASH	(147,221)
CASH AT BEGINNING OF THE YEAR	<u>306,242</u>
CASH AT END OF THE YEAR	<u>\$ 159,021</u>

Supplemental disclosures of cash flow information:

Income tax payments	\$ <u>-</u>
Interest Expense	\$ <u>2,220</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWESTERN CAPITAL MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

NOTE 1: NATURE OF ORGANIZATION

Southwestern Capital Markets, Inc., a Texas Corporation (the Company), was incorporated on May 17, 1983. The Company was registered with the Securities and Exchange Commission on January 10, 1985. The Company is authorized to engage in the following types of business: (a) Broker or dealer retailing corporate securities over the counter; (b) Broker or dealer retailing corporate debt securities; (c) Underwriting or selling group participant (corporate securities other than mutual funds); (d) Mutual Fund retailer; (e) U.S. government securities dealer; (f) U.S. government securities broker; (g) Municipal securities dealer; (h) Municipal securities broker; and (i) Investment advisory services.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Investment banking revenue is recorded as follows: underwriting management fees, financial advisory fees and sales commissions are recognized at settlement date and underwriting risk fees are recognized at the time the underwriting is complete (settlement date) and the income is reasonably determinable. Actual amounts received from the senior manager on underwriting transactions may vary from amounts originally recorded due to adjustments controlled by the senior manager. Adjustments to income from underwriting transactions are recorded in the period that the Company is notified by the senior manager.

Primary and secondary trade revenue is recognized on the trade or settlement date, whichever is applicable under the circumstances.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Trading Securities

Trading securities are initially recorded at cost and carried at fair market value with unrealized holding gains and losses flowing through current operations.

SOUTHWESTERN CAPITAL MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2003

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Receivables primarily represent balances due from other underwriters and pertain to designated sales and management fees owed under the terms of the Agreement Among Underwriters for the particular underwriting's involved.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using the accelerated method over the estimated useful lives, principally five years. Leasehold improvements are amortized over the lesser of the life of the lease or the estimated useful life of the improvement.

Income Taxes

The tax effects of transactions are recognized in the same period as they are reported for financial statement purposes, regardless of the period in which such items are recognized for tax purposes. The deferred taxes arise as a result of differences in income and expenses recognized for tax purposes and income and expenses recognized for financial reporting purposes.

NOTE 3: CONCENTRATION OF CREDIT RISK

Cash is deposited in two financial institutions; one insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC), and the other insured up to \$100,000 by the Securities Investor Protection Corporation (SIPC). Additionally, the SPIC insures securities up to a maximum of \$500,000. As of December 31, 2003, the Company had \$0 of deposits in excess of FDIC coverage, \$50,075 of deposits in excess of SIPC coverage, and \$0 of securities in excess of SPIC securities coverage.

In management's view, there is not a significant concentration of credit risk in the Company's trade accounts. Management believes concentrations of credit risk in accounts receivable are limited due to its governmental and corporate clients which management believes are credit quality.

NOTE 4: TRADING SECURITIES

In the normal course of business, the Company purchases securities, which it classifies as trading securities.

SOUTHWESTERN CAPITAL MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2003

NOTE 5: FURNITURE AND EQUIPMENT

Furniture, equipment and leasehold improvements at December 31, 2003 consists of the following:

	COST OR BASIS OF PROPERTY			
	Balance		Balance	
	December 31,		December 31,	
	2002	Additions	Deletions	2003
Furniture & Fixtures	\$ 21,046	\$ 853	\$ -	\$ 21,899
Telephone System	9,274	-	-	9,274
Computer Equipment	-	5,863	-	5,863
Total	\$ 30,320	\$ 6,716	\$ -	\$ 37,036

	ACCUMULATED DEPRECIATION			
	Balance		Balance	
	December 31,		December 31,	
	2002	Additions	Deletions	2003
Furniture & Fixtures	\$ 3,006	\$ 5,276	\$ -	\$ 8,282
Telephone System	1,325	2,968	-	4,293
Computer Equipment	-	1,173	-	1,173
Total	\$ 4,331	\$ 9,417	\$ -	\$ 13,748

NOTE 6: LEASES

Operating Leases – The Company has a lease agreement for the rental of office space in San Antonio. The lease will continue for a term of five years from the lease commencement date of March 1, 2002. Total rent expense under this agreement for the year ended December 31, 2003 was approximately \$50,172.

The Company also has a lease agreement for the rental of certain office equipment for its San Antonio office. The lease commitment will continue for a term of five years from the lease commencement date of March 28, 2002. Total rent expense under this agreement for the year ended December 31, 2003 was approximately \$3,741.

SOUTHWESTERN CAPITAL MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2003

NOTE 6: LEASES - Continued

Capital Lease – The Company has a capital lease for a telephone system. The lease will continue for a term of five years from the commencement date of December 2002. The asset and liability for this lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is being depreciated over the lease term which approximates its estimated useful life. Depreciation expense for the year ended December 31, 2003, on this asset totaled \$2,968. Total interest expense under this agreement was approximately \$1,095 and the principal reduction was \$1,409. Total future minimum lease payments under this agreement as of December 31, 2003, total \$9,807.

Minimum future lease payments under these leases as of December 31, 2003 are:

<u>December 31</u>	<u>Capital</u>	<u>Operating</u>	<u>Total</u>
2004	2,504	50,573	53,077
2005	2,504	50,949	53,453
2006	2,504	50,949	53,453
2007	2,295	8,492	10,787
	<u>9,807</u>	<u>160,963</u>	<u>170,770</u>
Less:			
Amount Representing Interest	<u>(2,151)</u>	<u>-</u>	<u>(2,151)</u>
	<u>\$ 7,656</u>	<u>\$ 160,963</u>	<u>\$ 168,619</u>

SOUTHWESTERN CAPITAL MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2003

NOTE 7: CORRESPONDENT AGREEMENT WITH CLEARING BROKER

The Company has adopted a Corporate Account Agreement with a clearing broker, authorizing trading in securities and permitting margin transactions. Additionally, a Fully Disclosed Correspondent Agreement has been executed between the Company and the clearing broker. As part of this agreement, and in compliance with the net capital requirements of the Securities and Exchange Commission, the Company is required to maintain a clearing deposit with the clearing broker in the amount of \$150,000.

NOTE 8: CAPITAL STOCK

One hundred percent (100%) of dividends declared and paid by the Company during any period in which convertible preferred stock is issued and outstanding shall be to the holders of the convertible preferred stock in proportion to their holdings; provided, however, that such preference does not include the period in which the convertible preferred stock is to be converted into common stock. Preferred stock is automatically converted to common stock at the point in time when the aggregate amount of dividends paid on convertible preferred stock since issuance is equal to the subscription price thereof. Preferences related to preferred stock terminate at that time. Dividends on preferred stock are declared at the discretion of the Board of Directors. During the year ended December 31, 2003, the Company issued 33,600 shares of common stock.

NOTE 9: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, the Company had net capital of \$181,298, which was \$81,298 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness to net capital ratio was .10 to 1.

SOUTHWESTERN CAPITAL MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2003

NOTE 10: INCOME TAX

The current and deferred portions of the income tax expense (benefit) included in the statement of income as determined in accordance with FASB Statement No. 109 are as follows for the year ended December 31, 2003:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ <u>(62,097)</u>	\$ <u>-</u>	\$ <u>(62,097)</u>

Certain items of income and expense are recognized in different years for financial reporting and income tax purposes. Deferred income taxes are provided in recognition of these temporary timing differences.

The Company has a loss carry back of \$206,294 that will offset against prior federal income taxes. The Company has established a current tax refund receivable of \$62,097 based on the tax rates of the years the loss was carried to as follows:

<u>Carryback Period</u>	<u>Net Operating Loss Used</u>	<u>Tax Benefit Generated</u>	<u>Federal Statutory Rates</u>
December 31, 2000	\$ 6,699	\$ 1,005	15%
December 31, 2001	<u>199,595</u>	<u>61,092</u>	31%
Total	\$ <u>206,294</u>	\$ <u>62,097</u>	

SOUTHWESTERN CAPITAL MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2003

NOTE 11: RELATED PARTY TRANSACTIONS

The Company has a total of seven full time employees and one part time employee, which consist of the president and majority stockholder, three members of his immediate family and four other employees. Total salaries for the related parties for the year ended December 31, 2003 were \$161,596.

The majority stockholder and president of the Company is also the majority stockholder of Vaquero Capital Corporation, Inc. and Vaquero Investment Management Corporation. The Company pays Vaquero Capital Corporation, Inc. a monthly consulting fee for their services. However, Vaquero Capital Corporation, Inc. waives its rights to receive any payments from the Company if the existence of such a right would cause the Company's amount of net capital to fall below the level required pursuant to Rule 15c3-1 of the Securities and Exchange Commission or the rules of any national securities association or any self-regulated organization of which the Company may become a member.

During the year ended December 31, 2003, the Company made payments of \$99,328 in consulting fees to Vaquero Capital Corporation, Inc.

VIMCO has been active as a registered asset management company during 2003. Additionally, for the 2003 year VIMCO made payments totaling \$48,504 to the Company for principal and interest due on its note receivable with the Company.

NOTE 12: DEFINED CONTRIBUTION PENSION PLAN

The company maintains a Simplified Employee Pension (SEP) plan in accordance with Internal Revenue Code Section 401(k) covering all employees. The company may contribute up to a maximum of 15% of an eligible participants annual compensation. For 2003, the company expects to contribute \$0 to the plan.

SOUTHWESTERN CAPITAL MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
For the Year Ended December 31, 2003

NOTE 13: COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such underwriting commitments that were open at December 31, 2003, and that were subsequently settled, had no material effect on the financial statements as of that date.

On November 14, 2003, the Company executed an earnest money contract for the purchase of a building for \$3,200,000. The Company made a non-refundable earnest money deposit of \$50,000. The earnest money contract was terminated by the Company on February 14, 2004. Subsequent to February 14, 2004, the Company resumed purchase negotiations with the seller.

SOUTHWESTERN CAPITAL MARKETS, INC.

**SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a -5 OF THE
SECURITIES EXCHANGE ACT OF 1934**

DECEMBER 31, 2003

SOUTHWESTERN CAPITAL MARKETS, INC.
SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 of the
SECURITIES AND EXCHANGE COMMISSION
December 31, 2003

NET CAPITAL

Total stockholders' equity	\$	383,793
Deduct stockholders' equity not allowable for net capital		<u>-</u>
Total stockholders' equity qualified for net capital		383,793
Add:		
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		-
B. Other (deductions) or allowable credits - deferred income taxes payable		<u>-</u>
Total capital and allowable subordinated liabilities		383,793
Deductions and/or charges		
A. Non-allowable assets		
Securities not readily marketable		-
Exchange memberships		-
Funds in excess of required clearing deposits		75
Notes and other receivables		75,240
Furniture, equipment, and leasehold improvements		23,288
Other assets		<u>103,892</u>
		202,495
B. Aged fails-to-deliver		-
C. Aged short security differences		-
D. Secured demand note deficiency		-
E. Commodity futures contracts and spot commodities - proprietary capital charges		-
F. Other deductions and/or charges		<u>-</u>
Net capital before haircuts on securities positions		181,298

SOUTHWESTERN CAPITAL MARKETS, INC.**SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 of the
SECURITIES AND EXCHANGE COMMISSION - Continued
December 31, 2003**

Haircuts on securities (computed, where applicable, pursuant to rule
15c3-1(f))

A. Contractual securities commitments	-
B. Deficits in securities collateralizing secured demand notes	-
C. Trading and investment securities	-
1. Exempted securities	-
2. Debt securities	-
3. Options	-
4. Other securities	-
D. Undue concentrations	-
E. Other	-

NET CAPITAL	\$ 181,298
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AGGREGATE INDEBTEDNESS

Payable to brokers and dealers	\$ -
Other accounts payable, accrued expenses and lease payable	17,880

Total aggregate indebtedness	\$ 17,880
-------------------------------------	------------------

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	\$ 100,000
------------------------------	------------

Excess net capital	\$ 81,298
--------------------	-----------

Excess net capital at 1000%	\$ 179,510
-----------------------------	------------

Ratio: Aggregate indebtedness to net capital	.10 to 1
--	----------

SOUTHWESTERN CAPITAL MARKETS, INC.

**SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 of the
SECURITIES AND EXCHANGE COMMISSION - Continued**

December 31, 2003

RECONCILIATION WITH COMPANY'S COMPUTATION

(included in Part II of Form X-17A-5 as of December 31, 2003)

Net capital, as reported in Company's Part II (Unaudited)	
FOCUS report	\$ 181,371
Net audit adjustments	-
Other items, net	<u>(73)</u>
NET CAPITAL PER ABOVE	\$ <u>181,298</u>

SOUTHWESTERN CAPITAL MARKETS, INC.
SCHEDULE II - COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2003

Southwestern Capital Markets, Inc., is exempt from the provisions of rule 15c3-3 under the Securities Exchange Act of 1934, as amended, in that all customer transactions are cleared through another broker and dealer on a fully disclosed basis in accordance with subparagraph (k) (2) (ii) of the Rule.

Martinez, Rosario & Company, LLP
115 E. Travis, Suite 1400
San Antonio, Texas 78205
Telephone: (210) 277-1898 Fax: (210) 277-1848

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5**

To the Board of Directors of
Southwestern Capital Markets, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Southwestern Capital Markets, Inc., for the year ended December 31, 2003, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Southwestern Capital Markets, Inc., that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by Southwestern Capital Markets, Inc., in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because Southwestern Capital Markets, Inc., does not carry security accounts for customers or perform custodial functions relating to customer securities.

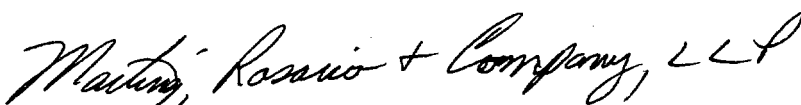
The management of Southwestern Capital Markets, Inc., is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the second paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which Southwestern Capital Markets, Inc., has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the second paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that Southwestern Capital Markets, Inc.'s practices and procedures were adequate at December 31, 2003 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, in their regulation of registered brokers and dealers, and is not intended to be, and should not be, used by anyone other than these specified parties.



Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, Texas

February 24, 2004